

Message Text

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PAGE 01 JIDDA 00608 251328Z
ACTION NEA-10

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S E C R E T JIDDA 0608

E.O. 11652: GDS
TAGS: MASS, JO, SA, US
SUBJ: JORDANIAN FMS PAYMENTS

REF: (A) STATE 4774, (B) AMMAN 683

1. DURING MEETING ON JANUARY 24, DCM MADE DEMARCHE CONTAINED STATE 4774 TO FOREIGN MINISTRY UNDER SECRETARY MANSOURI AND ALSO BROUGHT UP SUBJECT OF GOJ-SAG MISUNDERSTANDING ON PAYMENT OF 9.16 MILLION DOLLARS WHICH SAUDI ARABIA HAD GUARANTEED ON JORDAN FY-76 FMS PROGRAM.

2. MANSOURI READILY ADMITTED THAT SAG OWES U.S. 9.16 MILLION DOLLARS IF GOJ DOES NOT MAKE PAYMENT. HE SAID, HOWEVER, THAT SAG BELIEVES THAT JORDAN IS THE PRIMARY OBLIGOR AS SPELLED OUT IN THE DOCUMENT AND INTENDS TO INSIST THAT GOJ MAKE THIS PAYMENT. IF GOJ REFUSES TO DO SO, THEN SAG WILL MAKE PAYMENT BUT WILL DEDUCT AN EQUAL AMOUNT FROM OTHER GRANT SUPPORT WHICH SAG HAD PROMISED TO GOJ. HE SAID THAT THE SAG POSITION ON THIS WOULD BE EXPLAINED TO JORDANIAN MINISTER OF FINANCE, WHO IS SCHEDULED TO VISIT RIYADH ON JANUARY 25.

3. DCM TOLD MANSOURI THAT USG HAD UNDERSTOOD FROM
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JORDANIANS THAT THERE HAD BEEN AN AGREEMENT BETWEEN SAG AND GOJ THAT JORDAN WOULD DEFAULT ON THE PAYMENT AND SAG WOULD COVER THE DEFAULT. MANSOURI DENIED THAT THIS WAS TRUE AND SAID THAT IF THAT HAD BEEN THE CASE, THE DOCUMENT SHOULD HAVE SPECIFIED THAT SAG WAS THE PRIMARY OBLIGOR RATHER THAN THE GUARANTOR. HE IMPLIED THAT JORDANIANS WERE DEALING WITH LESS THAN FULL CANDOR WITH THE SAUDIS

AND THAT THIS HAD CREATED RESENTMENT IN THE SAG.

4. ON QUESTION OF GUARANTEEING FY 77 AND 78 FMS CREDIT ARRANGEMENT OF 75 MILLION DOLLARS EACH, MANSOURI AT FIRST GAVE NO REACTION BUT SAID HE WOULD REFER MATTER TO HIS SUPERIORS. DCM THEN ASKED MANSOURI FOR HIS PERSONAL VIEWS AND HE SAID THAT HE PERSONALLY RESENTED THE FACT THAT USG WAS BRINGING UP THIS MATTER WITH SAG. THE JORDANIANS, WHO WERE THE ONES WHO HOPED TO RECEIVE THE BENEFITS, SHOULD DO SO THEMSELVES. MANSOURI ASKED IF WE HAD MADE OUR APPROACH AT HUSSEIN'S REQUEST OR ON OUR OWN INITIATIVE. DCM REPLIED THAT HE DID NOT KNOW THE ANSWER TO THAT QUESTION, BUT OUR APPROACH HAD DEVELOPED OUT OF MEETING BETWEEN KING HUSSEIN AND PRESIDENT CARTER IN TEHRAN.

5. DCM THEN SAID THAT USG HAD AN INTEREST IN JORDANIANS' STABILITY AND THEREFORE HAD A LEGITIMATE REASON FOR BRINGING SUBJECT UP WITH SAG. IN ANY CASE, 75 MILLION DOLLARS IS A RELATIVELY SMALL AMOUNT, GIVEN CURRENT PRICES OF MILITARY EQUIPMENT. AT SAME TIME, IT COULD BE IMPORTANT FACTOR IN ASSURING LOYALTY OF JORDANIAN ARMY TO KING HUSSEIN. IT WOULD BE NEITHER IN USG NOR SAG INTERESTS FOR INSTABILITY TO DEVELOP IN JORDAN.

6. MANSOURI AGREED AND SAID HE WOULD TAKE UP MATTER WITH HIS SUPERIORS.

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7. COMMENT: IN VIEW OF THE PROBLEMS WE ARE HAVING WITH THE FY-76 PAYMENTS, WE STRONGLY RECOMMEND THAT WE DO NOT IN FUTURE USE A GUARANTEE ARRANGEMENT IN CASES WHERE JORDANIANS DO NOT IN FACT INTEND TO MAKE PAYMENT. IT WOULD BE MUCH BETTER TO HAVE THE DOCUMENTS CLEARLY SPECIFY IN ADVANCE THAT SAG WILL BE THE PRIMARY OBLIGOR IF THAT IS WHAT IS UNDERSTOOD BY BOTH PARTIES. PREVIOUS ARRANGEMENT CREATES SUSPICION OF GOJ MOTIVES AND PROVIDES TOO MANY OPPORTUNITIES FOR TROUBLEMAKING BY OTHER SAUDI OFFICIALS WHO WERE NOT A PARTY TO KING HUSSEIN'S PRIVATE UNDERSTANDING WITH TOP LEVEL SAUDIS AND WHO MAY HAVE THEIR OWN REASONS FOR CREATING PROBLEMS FOR GOJ. MISUNDERSTANDING OVER 140 MILLION DOLLAR PAYMENT WHICH SAG INTENDED TO MAKE AS DOWNPAYMENT ON HAWK PURCHASE HAS LEFT BAD TASTE IN MOUTHS OF MANY SENIOR SAUDIS WHO ARE NO DOUBT LOOKING FOR OPPORTUNITIES TO GET EVEN WITH JORDANIANS. PRESENT ARRANGEMENT HAS OBVIOUSLY PROVIDED THEM WITH AN OPPORTUNITY TO DO SO.

WEST

NOTE BY OC/T: DISSEMINATION COORDINATED WITH S/S-O, TOBIN

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